

CITY OF BELMONT

FINANCE COMMISSION MINUTES

March 4, 2004

Commissioners Present: Lieberman, Ledoux, Mannisto, Troyan, Korn, Sepah-Mansour

Staff Present: Finance Director Fil, Treasurer Violet and Administrative Assistant Voelker

Others Present: Olga Sample, Candidate Mike Loo, Candidate Joe O'Brien, Candidate Ralph Albrecht, and Candidate Kathy Steinkamp

1. Commission Chair Lieberman called the meeting to order at 7:39 P.M. Due to having a number of new candidates in attendance, introductions were made. Finance Director Fil made a public comment, proposing that the Finance Commission meeting location be changed to Fire Station 14 Conference Room. This new location is much more conducive for meetings, is better equipped with technology, and provides more room for visitors. The Commission agreed that, effective April 1st, the meetings will take place at Fire Station 14 (911 Granada St.).

2. Commissioner Korn pointed out an error in the February 5th minutes, noting that, on page 4, Item 3a (i), first paragraph, the word "measure" should read "structure". The change was noted and made.

Moved by Commissioner Ledoux, seconded by Commissioner Troyan, by unanimous voice vote, the Finance Commission minutes of February 5th were approved as amended.

3.

a. Finance Director Fil then reviewed the January financial reports.

i. The General Fund balance stands at roughly \$1.5 million. With regards to the City's cost cutting measures, he noted to the Commission that staff is currently working on a Schedule E, which will include current year actions that can be implemented immediately. Staff

has already begun launching efforts to deal with the FY 04/05 budget. In addition, should Propositions 57 and 58 pass even further cuts would be avoided.

In response to a question from Commissioner Troyan, Director Fil explained that ERAF, or Education Revenue Augmentation Fund, is a mechanism where the State directs the County to transfer city, county & RDA property tax to local school districts. In this way, the State is therefore de-obligated to make a contribution of its own to fund schools, while still meeting the educational funding requirement.

In response to a question posed by Chair Lieberman regarding the Street Improvement Fund being over budget, Director Fil clarified that this fund was used to account for all street-related capital projects. Roughly \$1.4 million is used for re-paving on Ralston and Alameda. This is funded through a forthcoming grant that will fill the funding gap.

Commissioner Ledoux asked if the City Hall project was on budget. Director Fil noted that, to date, the project is on budget, though he has not seen any change orders processed yet. Chair Lieberman added that Assistant City Manager Rich estimated roughly \$100,000 in change orders at the last City Council meeting. However, Director Fil clarified that this is a soft number, and has not passed through the Finance Department.

In response to this discussion, Treasurer Violet clarified any confusion by reading aloud from the minutes of the City Council meeting that, to date, there have been significant savings in other areas, so the balance of change orders actually only account for approximately \$85,000 out of the \$500,000 estimated contingency. Director Fil stated that the current stage of construction is where we expect to see the most risk exposure from change orders.

Director Fil then responded to a question posed by Commissioner Korn, noting that the Ralston/101

Interchange funding is completed. Belmont contributed \$2 million to this account and the project is done, so it should show a \$0 balance.

Director Fil then drew the Commission's attention to the Belmont Library fund. He stated that the deficit in this fund has been cleared as of February, since the City sold \$9.4 million in bonds. The City was reimbursed nearly \$640,000 from the bonds, which will be noticed in next month's financial statements.

In response to a question by Commissioner Ledoux, Director Fil anticipates that construction will break ground on the Library on or around November 2004. He added that the project has received a couple of donations from corporate sponsors, as well as the Friends of the Belmont Library. The size of the Library will be a little bit over 20,000 square feet and the fundraising focus now is on added amenities, technology and furnishings.

Chair Lieberman inquired about a \$4 million Purchase Order, to which Director Fil clarified was to be used very soon as payments are made to the City Hall project construction company.

Moved by Commissioner Ledoux, seconded by Commissioner Troyan, by unanimous voice vote, the January financial reports were noted and filed.

ii. Finance Director Fil gave a brief update on Capital Projects:

a The Police Facility/City Hall project is currently under construction; the construction team has discovered 6 skeletons in the foundation, but this has not slowed the project considerably.

b The new Library project is now funded due to the February bond sale. The project is on track for an approximate November start date.

b. Treasurer Violet then reviewed the monthly Treasurer's report for the City of Belmont, noting that there was an ending balance of roughly \$28 million. In response to a question by Commissioner Ledoux, Treasurer Violet estimated that the anticipated June balance will be slightly larger than December's, due to the sale of the bonds for the Library project.

Treasurer Violet provided detail on the remainder of the report, including LAIF investments and a new account for the Redevelopment Agency. He noted that all accounts have been reconciled and signed off.

In response to a question by Commissioner Ledoux, Director Fil answered that the split between direct deposit and payroll checks is roughly 50/50. He expressed his concern about some employees' reluctance to adopt direct deposit. Chair Lieberman suggested periodic announcements to employees to explain the benefit and advantage of direct deposit to both the City and the employee. Director Fil agreed, and said that announcements have been made, but the City has yet to reach even close to 100% compliance.

Treasurer Violet then reviewed the Treasurer's report for South County Fire Authority, with an ending balance of approximately \$966,000, pointing out the negative cash balance that was reconciled with LAIF funds.

In response to a question by Candidate Loo, Treasurer Violet responded that, with regards to how interest rates compare to the budget, the City would be delighted to see them increase. Director Fil added that interest rates are currently a little bit above the budget number.

Commissioner Sepah-Mansour asked whether Bank of America charged an additional fee for the negative balance of South County Fire. Director Fil answered that they do, but that the account rarely goes negative on the bank cash balance – only on paper. The account is reconciled daily.

Treasurer Violet reported that all accounts for South County Fire were reconciled and approved.

On a motion by Commissioner Ledoux, seconded by Commissioner Mannisto, by unanimous voice vote, the January Treasurer's Reports were noted and filed.

4. Treasurer Violet then turned the Commission's attention to the City's Investment Policy. He explained that the policy is identical to that of last year, the only difference being that that the City of Belmont and South County Fire are now

split into two separate entities. Each has the same policy, but, as per a request from the South County Fire Commission, each agency was given a separate policy.

Treasurer Violet also reiterated the policy's investment priorities, which are (1) safety, (2) liquidity, and (3) return on investments, respectively. In response to a question posed by Commissioner Ledoux, Director Fil answered that he is the Deputy Treasurer, as is the City Manager.

Moved by Commissioner Korn, seconded by Commissioner Sepah-Mansour, by unanimous voice vote, with Commissioner Troyan abstaining, the Investment Policy was recommended for approval by City Council.

At this time, Commissioner Troyan explained that his abstention is due to his desire to see a more aggressive investment policy. Commissioner Troyan elaborated that he would like to see more aggressive allocation of assets and finds the current program to be too safe. Chair Lieberman suggested that the Finance Commission receive information on program options and asked if Commissioner Troyan would be willing to lead a discussion at a future meeting, on what other program options would be viable, yet consistent with the City's current policy. Commissioner Troyan agreed to lead the topic at a future date, but chose still to abstain from his vote to adopt the current Investment Policy. Director Fil stated that staff will follow up by e-mailing a link to the government code which gives details on investment program options for them to consider. Lastly, Treasurer Violet commented that, though he is open to a discussion on the investment program, as contrasted to the Investment Policy, any recommendations made by the Commission will be considered advisory and that the ultimate decision and accountability lies with the Treasurer.

5.

a. Chair Lieberman gave a brief summary of the Joint Mid-Year Review meeting with City Council and the Finance Commission. Four out of seven Commissioners attended, and Chair Lieberman encouraged all Commissioners to attend these meetings, if possible. He commented that, in summary, additional budget cuts and corrections will be implemented.

Director Fil added that Council approved staff to proceed with implementing alternative cuts from Schedule B. In addition, the City Manager has instructed all departments to brainstorm and implement one-time, immediate cuts. Director Fil explained that departments are also instructed to create long-term packages that will result in nearly \$1.3 million in cuts. Every department is involved.

Chair Lieberman commented that, in the midst of these budget cuts, the Finance Commission may play a vital role in giving input as to the best financial options to take within the organization.

Commissioner Troyan suggested implementing a freeze in step increases, and limiting employees to only cost of living increases for a number of years. In response, Finance Director Fil stated that, although there are a number of options for the City to consider, budget cuts must be (1) identifiable, (2) achievable and, (3) sustainable, which is defined in terms of 3-5 years. He is not convinced that this option is sustainable, in that employees would accept a step increase freeze for a period of 3-5 years, but nonetheless would convey the proposal. Candidate O'Brien also added that freezing step increases might result in a loss of morale and productivity among employees.

In conclusion, Director Fil estimated that budget cuts will probably include a variety of elements, both across the board and selective in nature.

Chair Lieberman called for Commissioners to volunteer to be present at the next Council meeting. Commissioner Sepah-Mansour volunteered to attend the March 9th meeting, and Commissioner Troyan pledged to be present at the March 23rd meeting.

b. Treasurer Violet had nothing new to report for the City Treasurer Update.

c. Chair Lieberman then updated the Commission on the South County Fire Special Financial Project Sub-Committee. The committee has met twice and is still in the process of getting organized. Staff has been supplying the committee with a significant amount of background material, expenditure data, and financial history of South County Fire. The committee's current plan of action is to get more information on revenue and activities of the Authority, and continue its research.

Chair Lieberman also explained that the committee is preparing a letter to send to Belmont and San Carlos City Councils to inform them that the process has begun, the committee is hard at work, and will be preparing a proposal to Council and the South County Fire Commission in due time. Chair Lieberman is encouraged by the committee's start and looks forward to coming up with creative solutions.

Treasurer Violet added that Treasurer Mike Galvin represents San Carlos on the committee.

6. Moved by Commissioner Ledoux, seconded by Commissioner Troyan, by unanimous voice vote the meeting was adjourned at 9:12 p.m.

Sincerely,

Thomas Fil

Finance Director